

THE INSURANCE CODE OF 1956 (EXCERPT)
Act 218 of 1956

500.7604 Procedure for consolidation, merger, or reinsurance of risks; dissolution of corporation; cessation of liability; reinsurance of individual risks; fraternal benefit societies; acquisition of general abstract business by title insurance corporation; notice of merger of farmers mutual insurer with other mutual insurer.

Sec. 7604. (1) An insurer organized under the laws of this state and transacting business under this act may consolidate or merge with or reinsure all or any part of its outstanding risks for the purpose of effecting a merger or consolidating with an insurer of generally like character authorized to transact business in this state under terms that are reasonable and just. "Consolidation" and "merger", as used in this chapter, include a transaction where an insurer authorized to transact business in this state, which is a wholly-owned subsidiary of a controlling corporation, which need not be an insurer, distributes shares of the capital stock of the controlling corporation in merging another insurer into the subsidiary or in merging the subsidiary into another insurer. If an insurer proposes to consolidate or merge with, or reinsure all of its outstanding risk with, another insurer for the purpose of effecting a merger or consolidation, the following procedure shall be followed:

(a) The insurers shall petition the commissioner, setting forth the terms and conditions of the proposed consolidation, merger, or agreement of reinsurance, to which the commissioner may in his or her discretion grant preliminary, tentative, or conditional approval.

(b) After securing the approval from the commissioner, the insurers shall give notice, either personally or through mailing at least 21 days before the time fixed for the meeting, to the last known postal address of each stockholder, subscriber, or member, that the question of the consolidation, merger, or reinsurance will be voted upon at a regular or special meeting of the stockholders, subscribers, or members, which notice shall fairly but briefly describe the proposed procedure.

(c) The consolidation, merger, or contract of reinsurance for the purpose of effecting a merger or consolidation shall be approved at the regular or special meeting held in pursuance of the call and notice, by the affirmative vote of not less than a majority of the members or subscribers voting in person or by proxy if it is a mutual or a cooperative or assessment corporation or a reciprocal or interinsurance exchange, or not less than a majority of the outstanding capital stock, if it is a stock company.

(d) The consolidation or merger agreement or contract of reinsurance for the purpose of effecting a merger or consolidation, together with proper proof that it has been approved by the stockholders, subscribers, or members as provided in this section, shall be submitted to the commissioner for final approval. This contract shall not become effective until the commissioner, in his or her discretion, issues a certificate of final approval to the petitioner. If the terms of the consolidation or merger or reinsurance contract for the purpose of effecting a merger or consolidation provide that securities shall pass to an insurer assuming the liabilities for which the securities are held, a public official, or other person or company holding the securities shall upon the written order of the commissioner deliver the securities to or credit the securities to the account of the corporation, corporations, person, or persons entitled to the securities by the terms of the contract and the order of the commissioner.

(2) Consolidation, merger, or reinsurance for the purpose of effecting a merger or consolidation of all of the insurance risk of any membership corporation under this section, shall act as a dissolution of the corporation except in the case of a stock company which shall be dissolved in accordance with the business corporation act, Act No. 284 of the Public Acts of 1972, being sections 450.1101 to 450.2098 of the Michigan Compiled Laws. All liability upon a stock company's certificates or contracts shall cease upon the expiration of 5 days following the consolidation, merger, or reinsurance for the purpose of effecting a merger or consolidation, but its officers may thereafter perform any act or acts necessary to close its affairs with the approval of the commissioner.

(3) This section shall not be construed to prohibit an insurer from reinsuring a fractional part or all of an individual risk in the usual or incidental conduct of its business.

(4) Consolidation, merger, or reinsurance for the purpose of effecting a merger or consolidation of all or a substantial portion of the risks of a fraternal benefit society shall be governed by this section insofar as not otherwise regulated by chapter 81a, specifically governing fraternal benefit societies.

(5) This section shall not be construed to prohibit a title insurance corporation from acquiring by merger, exchange of stock, or otherwise, if permitted by and pursuant to Act No. 284 of the Public Acts of 1972, a corporation engaged in the general abstract business or the assets of such a corporation.

(6) Notwithstanding subsection (1), when a farmers mutual insurer organized under chapter 68 proposes to merge with any other mutual insurer, the surviving insurer may give notice to its members by publication as

provided in section 5214(2).

History: 1956, Act 218, Eff. Jan. 1, 1957;—Am. 1961, Act 104, Eff. Sept. 8, 1961;—Am. 1969, Act 194, Imd. Eff. Aug. 6, 1969;—Am. 1977, Act 46, Imd. Eff. July 5, 1977;—Am. 1981, Act 66, Imd. Eff. June 16, 1981;—Am. 1990, Act 1, Eff. Apr. 1, 1990;—Am. 1994, Act 226, Imd. Eff. June 27, 1994.

Popular name: Act 218